

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of)	
)	
State Petitions for Extension)	CC Docket No. 97-160 and
of Time on Forward-Looking)	96-45
Economic Cost Studies)	DA 97-2329

COMMENTS OF THE MINNESOTA DEPARTMENT OF PUBLIC SERVICE

On November 5, 1997, the Federal Communications Commission (Commission) directed interested parties to file comments in support of or in opposition to petitions from state commissions requesting an extension of time to file their own cost studies to determine federal universal service support for non-rural carriers. The May 1997 Universal Service Order had directed that such studies be filed with the Commission by February 6, 1998.¹ Although the notice seeking comment did not refer to its petition, on October 1, 1997, the Minnesota Public Utilities Commission also requested the submission date for such cost studies be extended until June 6, 1998. For the reasons stated below, the Minnesota Department of Public Service (Department) supports an extension of the filing date.

In its Order, the Commission states that it will seek comment on cost studies submitted by states and undertake its own evaluation of them to determine if they meet the Commission's criteria and can be used to calculate federal support. Order at ¶248. If states choose not to submit their own cost studies, the Commission will apply its own chosen model to determine costs for such states. The Commission stated that it will select a model platform by January 1998 and a complete costing mechanism, including all input values, by August 1998. Order at ¶ 245. The Order does not explicitly state whether states are to submit their chosen cost model platforms by February 6 or the platform together with selected inputs by that date.

The Department does not believe that state commissions can meaningfully evaluate cost models without considering inputs. The models' costs cannot be determined, much less compared, without inputs and their computational schemes cannot be comprehensively assessed without considering the sensitivity of results to input value changes. In the

¹ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 97-157 (rel May 8, 1997) (Order).

proceeding to select a cost model for Minnesota, the Department has advocated that the Minnesota Public Utilities Commission determine both the platform and the input values.² However, because the Order does not explicitly state whether states must submit both a platform and inputs and because the Commission is itself first selecting a platform and much later selecting inputs, it would be helpful for the Commission to clarify its Order in that regard.

The Department urges the Commission to extend the date for states to file their cost model platforms and inputs because states simply cannot make very good selection decisions by the February deadline. The principal contending models, the Hatfield Model and the Benchmark Cost Proxy Model (BCPM), are currently in the beginning stages of implementing very significant changes. On file in Minnesota is a beta version of BCPM 2. The version incorporates a far more sophisticated (and hopefully more accurate) method of geographically locating customers than BCPM 1.1. However, because the model requires many hours to run, the Department cannot run multiple variations of the model prior to the commencement of our state contested case hearings in early December. Further, the version submitted in Minnesota does not include the updated switching module.

Not only the BCPM model is in a state of flux. The Department has been informed by the sponsors of the Hatfield model that version 5 of that model will also offer a more sophisticated method of geographically locating customers. Whether that model will be available in time to even be filed, much less thoroughly evaluated, in our state proceeding is questionable.

In addition to considering the Hatfield and BCPM models, many states might also wish to consider the recently released but still incomplete Hybrid Cost Proxy Model (HCPM) developed by Commission staff.³ However, many states, such as Minnesota, cannot adequately review the model in time to sponsor its inclusion in the state selection proceeding. The February deadline means that states must select a model without benefit of thorough analysis by state agency personnel and that some states may not even be able to consider Hatfield 5 or the HCPM.

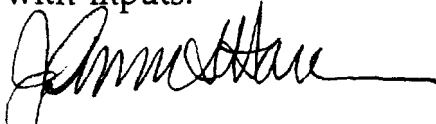
If the Commission maintains the February deadline, it will be requiring states such as Minnesota to choose among early and incomplete model versions or old and admittedly inferior model versions. The selection

² See, e.g., Department of Public Service Letter in re State of Minnesota's Possible Election to Conduct Forward Looking Economic Cost Study to Determine the Appropriate Level of Universal Service Support, PUC Docket No. P999/M-97-909 OAH Docket No. 12.2500-11342-2 (Oct. 22, 1997).


³ See Public Notice, Common Carrier Bureau Makes Available Potential Modules for Determining Customer Location and Outside Plant Design in Forward-Looking Mechanisms for Determining Universal Service Support for Non-Rural Carriers, DA 97-2311 (rel. Oct. 31, 1997).

will not be very meaningful. The February date increases the likelihood that the Commission will later decide to overrule state model selections. Extending the submission date would be consistent with the Commission's interest in cooperating with state authorities in determining universal service costs.

In conclusion, the Department also requests the Commission clarify whether states are to submit model platforms only, or platforms together with inputs.



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